

Message Text

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TO ALL AFRICAN DIPLOMATIC POSTS

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FOLLOWING REPEAT EC BRUSSELS 952 ACTION SECSTATE INFO

ALL EC CAPITALS DATED 3 FEB 75

QUOTE

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E.O. 11652: N/A

TAGS: ETRD, EEC, ACP

SUBJECT: EC/ACP NEGOTIATIONS: IT'S OVER

REFS:A) EC BRUSSELS 455 B) EC BRUSSELS 180, AND PREVIOUS

1. SUMMARY. THE LAST ROUND OF NEGOTIATIONS BETWEEN THE EC AND THE AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES (ACPS) WAS CONCLUDED OVER THE WEEKEND. AGREEMENT ON THE EC/ACP SUGAR ARRANGEMENT AND ON THE SIZE OF THE EUROPEAN DEVELOPMENT FUND (EDF) PERMITTED THE REST OF THE NEGOTIATED COMPROMISES TO FALL INTO PLACE. WHILE SOME WORK ON CLARIFYING THE FINAL TEXTS CONTINUES BETWEEN THE ACP AMBASSADORS AND EC OFFICIALS IN BRUSSELS, RESULTS OF THIS FINAL ROUND ARE TO BE SUBMITTED TO THE ACP MINISTERS IN ACCRA FOR FINAL APPROVAL ON FEBRUARY 10-11. SIGNATURE OF THE NEW ACP/EEC CONVENTION IS EXPECTED TO TAKE PLACE IN LOME LATER THIS MONTH. THIS MESSAGE PROVIDES PRELIMINARY INFORMATION MANY OF OUR CONTRACTS BEING UNAVAILABLE TODAY. END SUMMARY.

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2. SUGAR: A BREAKTHROUGH ON THE DIFFICULT QUESTION OF AN EC/ACP SUGAR ARRANGEMENT WAS FINALLY ACHIEVED (SEE REF A AND PREVIOUS FOR BACKGROUND). IT WILL BE RECALLED THAT THERE WERE IN FACT TWO INTERRELATED ASPECTS OF THE PROBLEM TO BE SOLVED (A) THE UK'S NEGOTIATIONS WITH ACP PRODUCERS FOR SUGAR TO MEET THEIR CURRENT SHORTAGE; AND (B) THE LONGER-TERM QUESTION OF ACP SUGAR TO BE IMPORTED BY THE COMMUNITY AS A WHOLE. THE SPECIAL UK INTEREST HAS, ACCORDING TO COMMISSION SOURCES, BEEN RESOLVED ON THE BASIS OF A COMMERCIALY NEGOTIATED PRICE (UK INDUSTRY REPS AND THE ACPS) OF 260 POUNDS STERLING PER METRIC TON, WHITE SUGAR EQUIVALENT, CIF. THE EC GUARANTEED PRICE FOR UP TO 1.4 MILLION TONS OF ACP SUGAR FOR THE REMAINING YEARS WILL BE NEGOTIATED ANNUALLY WITHIN THE RANGE OF THE INTERVENTION AND THRESHOLD PRICES FOR EC-PRODUCED SUGAR.

3. EUROPEAN DEVELOPMENT FUND (EDF): THE EC AND THE ACPS HAVE AGREED ON AN OVERALL FOURTH EDF OF 3 BILLION UNITS OF ACCOUNT (UA) -- APPROXIMATELY \$3.63 BILLION -- TO BE COMMITTED OVER THE 5- YEAR DURATION OF THE NEW CONVENTION, FROM THE DATE OF SIGNATURE (I.E. BEFORE THE END OF FEBRUARY 1980). THE EDF AID PACKAGE CONTAINS 2.1 BILLION UA IN GRANTS, 430 MILLION UA IN SPECIAL LOANS (1 PERCENT OVER 40 YEARS), 95 MILLION UA IN RISK CAPITAL (FUNDING FOR THE INDUSTRIAL COOPERATION CHAPTER), AND 375 MILLION UA FOR THE STABILIZATION OF EXPORT EARNINGS SCHEME. IN ADDITION TO THE EDF AMOUNT, THE EC HAS ALSO AGREED TO PROVIDE 390 MILLION UA IN LOANS FROM THE EUROPEAN INVESTMENT BANK (EIB) WITH INTEREST RATES RANGING BETWEEN 5 AND 8 PERCENT AND REPAYMENT TERMS UP TO A MAXIMUM OF 25 YEARS.

4. GENERAL TRADE REGIME: ACCORDING TO OUR INITIAL REPORTS, THE TRADE ARRANGEMENT REMAINS AS PREVIOUSLY REPORTED (REFTEL A) -- NON-DISCRIMINATORY MFN TREATMENT FOR THE EC IN ACP MARKETS IN RETURN GENERALLY FOR FREE ENTRY TO EC MARKETS ON THE PART OF THE ACPS FOR INDUSTRIAL GOODS (SUBJECT TO A SAFEGUARD CLAUSE). THE ACPS WILL BE ABLE TO DEROGATE FROM MFN IN FAVOR OF OTHER ACPS AND OTHER LDCS BUT NOT FOR OTHER INDUSTRIALIZED COUNTRIES. INFORMATION ON THE FINAL TEXTS FOR RULES OF ORIGIN, CONSULTATION PROCEDURES, AND REFERENCES TO GATT (IF ANY) IS NOT YET AVAILABLE. LIMITED OFFICIAL USE

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5. AGRICULTURAL PRODUCTS: THE EC AGREED TO SEVERAL ADDITIONAL CONCESSIONS ON PRODUCTS NOT COVERED BY THEIR EARLIER OFFER (REF A MOST OF THE CONCESSIONS PROVIDE MORE FAVORABLE TREATMENT FOR ACP SUPPLIERS UNDER THE EC'S IMPORT LEVY SYSTEM. THE FOLLOWING PRODUCTS ARE AFFECTED: CORN, ARROWROOT FLOUR, PADDY RICE, BROWN RICE, MILLED RICE, SEMI-MILLED RICE, BROKEN RICE, AND BEEF (FOR LESOTHO, SWAZILAND, BOTSWANA, AND KENYA). THE TWO SIDES AGREED

TO CONSIDER CONCESSIONS ON KENYAN CUT FLOWERS BEFORE THE END OF 1975. BANANAS AND JAMAICAN RUM ARE ALSO THE SUBJECT OF SPECIAL MEASURES (DETAILS TO FOLLOW).

6. STABILIZATION OF EXPORT EARNINGS (STABEX). THE EC HAS AGREED TO INCLUDE IRON ORE IN THE LIST OF ELIGIBLE PRODUCTS MAKING A TOTAL OF 12 (SEE REF A AND PREVIOUS). THE STABEX FORMULA WILL PROVIDE, IN PRINCIPLE, FOR REPAYMENTS OF FINANCIAL TRANSFERS EXCEPT FOR THOSE ACPs ON THE EDF'S LIST OF LEAST DEVELOPED ACP COUNTRIES. DEPENDENCY ON THE EXPORTED PRODUCT MUST BE AT LEAST 7.5 PERCENT OF AN ACP'S EXPORTS (2.5 PERCENT FOR THE LEAST DEVELOPED), AND DECLINE IN EXPORT EARNINGS IN THAT PRODUCT MUST BE AT LEAST 7.5 PERCENT (2.5 PERCENT FOR THE LEAST DEVELOPED) TO TRIGGER A FINANCIAL TRANSFER. THE TWO SIDES ALSO AGREED ON A MOVING REFERENCE VALUE (I.E. THE PRECEDING FIVE YEARS) TO PROVIDE THE BASIS FOR CALCULATION ANY FINANCIAL TRANSFER UNDER THE SCHEME.

7. INDUSTRIAL COOPERATION: WE UNDERSTAND THAT AGREEMENT WAS REACHED ON THE QUESTION OF THE "INVESTMENT CLIMATE " (SEE REF A AND PREVIOUS). DETAILS WILL FOLLOW IN OUR FULL REPORT.

8. INSTITUTIONS: THE NEW ACCORD WILL BE CALLED THE ACP/EEC CONVENTION OF LOME AND INSTITUTIONAL ARRANGEMENTS WILL COMPRISES A COUNCIL OF MINISTERS, A COMMITTEE OF AMBASSADORS, AND A CONSULTATIVE ASSEMBLY (THIS TAKES THE PLACE OF THE PARLIAMENTARY BODY TO WHICH SOME ACPs OBJECTED; THE EUROPEAN SIDE WILL BE REPRESENTED BY PARLIAMENTARIANS HOWEVER). GREENWALD UNQUOTE
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